

**Západočeská univerzita v Plzni**  
**Fakulta filozofická**

**Bakalářská práce**

**Gibraltar and its Significance for Britain and its  
Inhabitants**

**Michala Hromiaková**

Plzeň 2015

**Západočeská univerzita v Plzni**  
**Fakulta filozofická**  
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**Bakalářská práce**

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**Michala Hromiaková**

*Vedoucí práce:*

PhDr. Alice Tihelková, Ph.D.

Katedra anglického jazyka a literatury

Fakulta filozofická Západočeské univerzity v Plzni

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Prohlašuji, že jsem práci zpracovala samostatně a použila jen uvedených pramenů a literatury.

Plzeň, duben 2015 .....

Tímto bych ráda poděkovala vedoucí své bakalářské práce, PhDr. Alici Tihelkové, Ph.D., za cenné připomínky, vždy pozitivní přístup, ochotu a čas, který mé práci věnovala.

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# 1 Introduction

The Bachelor's thesis deals with the Rock of Gibraltar, a British overseas territory, and particularly with its relation with Britain. Although Gibraltar has already celebrated more than 310 years of British rule, the ongoing diplomatic dispute with Spain over the territory has lasted up to the present. The question is why this small peninsula is so important that it has been able to affect relations between two European powers for more than three centuries. The personal interest in this key matter led to selection of the stated topic.

Therefore, the objective of the thesis is to determine a significance of the territory to Britain and its potential contribution to the British. There will be taken into consideration the joint history, the strategic location and its importance for military aims as well as for shipping and trade. Subsequently, the attention will be focused on benefits resulting from the possession of the territory for British inhabitants themselves.

The topic contributes to the discipline of British Cultural Studies and the descriptive method will be applied after the collection of information.

First of all, there will be a chapter providing brief information about the territory from the point of view of the geographical and political definition. It will be followed by a wider chapter dedicated to the history beginning with the moment when Gibraltar was ceded to Britain. This part will describe the important milestones in the course of events taking place in the peninsula and emphasize the means of its use from the past up to the present. This chapter is strongly linked to the next one focused on Gibraltar's strategic location which was used during numerous conflicts, especially in the World Wars. Furthermore, it will evaluate the location on the shipping lane. Next chapter will describe the economic situation in the past as well as in the present with emphasis on its strong points and potential benefits in comparison with the United Kingdom. One of the parts will also deal with tourism and will attempt to indicate in which extent this destination is sought-after among the British tourists and travellers. The goal of the following chapter will be to determine the rate of Gibraltar's importance for the British themselves from the point of view of business opportunities and living standards. The opinions of Gibraltar's citizens as well as those of the UK residents will be presented to add authenticity.

One of the main book sources used during the research will be the publication *Gibraltar: A Modern History* written by Chris Grocott, a lecturer in economic history at the University of Leicester, who specialises in Gibraltar. It gives an overview of the development through the eighteenth, nineteenth and twentieth centuries.

Valuable information will also be gained from the abstracts of statistics such as the Abstract of Statistics 2013, the Tourist Survey Report 2013 and the Air Traffic Survey Report 2013, which are published by Gibraltar's Statistics Office. Another electronic source frequently used for needs of the thesis will be the website of The Report Company, media partner of The Guardian, providing pertinent articles.

In the end, there will be a conclusion containing the summary of the results and the comparison of the Gibraltar's significance in the past and in the present.



## **2 Basic facts about Gibraltar**

### **2.1 Geographical and political definition**

#### **2.1.1 Geographical definition**

Gibraltar is a British overseas territory occupying the southernmost tip of the Iberian Peninsula and connected to the southern coast of Spain by a sandy isthmus. Its location is displayed on a map in Appendix 1. It represents an important air and naval base which guards the Strait of Gibraltar linking the Mediterranean Sea and the North Atlantic Ocean. The territory is 5 kilometres long, 1.2 kilometres wide and occupies the total area of 6.5 square kilometres.<sup>1</sup>

Gibraltar is commonly known as “the Rock” not only thanks to a limestone and shale ridge, whose highest point reaches 426 metres, but mainly for representing strength.

The Rock of Gibraltar is also considered one of the two Pillars of Hercules (Heracles). According to Greek mythology, Hercules had to fulfil a task - to bring the cattle of the giant Geryon from the west to Eurytheus. During his journey he broke the mountain that had connected Africa and Europe and this way he created two peaks – the Rock of Gibraltar on the northern side and a mountain Jebel Musa on the southern side (in Morocco). The area between these two pillars was thought to be the western end of the world.

#### **2.1.2 Political definition**

Gibraltar is a self-governing and self-financing parliamentary democracy and a part of the United Kingdom with its own constitution and its own government, which enacts local laws. A new constitution, providing a modern relationship between

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<sup>1</sup> RODRIGUEZ, Vicente. *Gibraltar*. [online] Encyclopaedia Britannica, Inc. Updated: 18.02.2014.

[retrieved 10.02.2015] Available from: <<http://www.britannica.com/EBchecked/topic/233245/Gibraltar>>.

Gibraltar and the United Kingdom, was approved in December 2006 and came into force in January 2007. “This Constitution does not in any way diminish British sovereignty of Gibraltar, and the UK will retain its full international responsibility for Gibraltar, including for Gibraltar’s external relations and defence, and as the Member State responsible for Gibraltar in the European Union.”<sup>2</sup> Britain retains responsibility for internal security and financial stability as well.

The head of state is Queen Elizabeth II, represented by Governor Lieutenant-General Sir James Benjamin Dutton KCB CBE, who was appointed in 2013. Gibraltarians elect their own representatives to the House of Assembly. Its function is similar to the British House of Commons, Ministers are appointed and then look after their own departments.

The legal system is based entirely on the English law following three legal principles – statute, common law and rules of equity.

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<sup>2</sup> GALLOWAY, A.K. *Gibraltar: New Constitution*. [online] Gibraltar. Updated: 05.06.2006. [retrieved 10.02.2015] Available from: <<http://www.gibnet.com/library/con06d.htm>>.

### 3 History of Gibraltar and the origin of its connection with Britain

One of the reasons why the British are attached to Gibraltar could be that they sacrificed their lives for this territory, especially during the Great Siege. Historical events in more detail will be discussed in following chapters which begin from cession to Britain.

#### 3.1 British Fortress (1704 – 1783)

Gibraltar seemed designed for the purpose of being a fortress. The Rock rose sharply, providing an imposing barrier to troops along its northern and eastern sides and moreover, it has a complex system of fortifications.

In 1704 during the War of the Spanish Succession, an Anglo-Dutch force under Sir George Rooke captured Gibraltar and established a military base there. The terms of cession to Britain by the Spanish kingdom in perpetuity were ratified in Article X of the Treaty of Utrecht in 1713.<sup>3</sup> Britain uses this document to the present day during all negotiations with Spain concerning the territory.

“The events of 1704 [...] helped to lay the foundations of subsequent British sentiment regarding Gibraltar’s retention. At first sight, the speed of victory in the assault of 1704 was remarkable, and the successful defence of Gibraltar against a siege [...] that same winter (1704– 5) admirable.”<sup>4</sup>

Spain tried and failed to recapture the fortress twice more in 1727 and 1779. In the latter it was the Great Siege by land and sea. Spain and France joined forces in an attempt to reclaim Gibraltar. The centrepiece of the siege was the dramatic assault by armoured ships. Gibraltar was besieged for three years and seven months, during the American War of Independence. It marked this period as one of the great sieges in

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<sup>3</sup> GROCOTT, Chris. *Gibraltar: A Modern History*. Cardiff: University of Wales Press, 2012, 171 p. ISBN 978-0-7083-2481-3. P. 7.

<sup>4</sup> GROCOTT. P. 9.

European history and the longest siege endured by the British Armed Forces.<sup>5</sup> It put the garrison under great pressure because food and fuel became scarce.

Two successful expeditions of British Navy in 1780 and 1781 avoided the blockade, brought provisions and extra troops, and evacuated civilians. When the Spaniards and French realized that they could not starve out the garrison they launched an offensive in 1782 but it was repulsed by the British artillery which used ‘red-hot-shot’, “heated cannonballs that set fire to whole ships and batteries”<sup>6</sup>. Finally, the blockade was lifted. That represented the last Spanish effort to regain the territory by force terminated by signing the Treaty of Versailles in 1783 which reaffirmed British possession.

In the period of hundred years after cession to Britain, Gibraltar was given great attention by British writers who commended the impregnable fortress for successful fending off three above mentioned sieges. “Subsequent generations of British schoolchildren, and millions more English-language readers around the expanding Anglophone world, were taught to regard Gibraltar as the ultimate symbol of British courage, ingenuity, steadfastness and plucky resolve.”<sup>7</sup> When Mozart was commissioned to write a symphony celebrating the siege he surrendered and stated that the subject was “too bombastic”.<sup>8</sup> The power and bravery demonstrated by the forces in Gibraltar exceeded the imagination of the population in Britain. For this reason if there was any suggestion to cede it back to Spain it would provoke a commotion throughout the Empire.<sup>9</sup>

However, there existed some uncertainties about Gibraltar’s commercial value to Britain. Due to the necessity of stronger fortifications and a garrison, the retaining of the

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<sup>5</sup> KOŘÍNEK, Vladimír. *Ministáty Evropy: Lucembursko, Andorra, Malta, Lichtenštejnsko, San Marino, Monako, Vatikán, Gibraltar*. Krnov: Nakladatelství Vladimír Kořínek, 2003. 129 p. ISBN 80-903184-0-1. P. 122.

<sup>6</sup> ANDREWS, Evan. *7 Brutal Sieges*. [online] History Lists. Updated: 02.07.2013. [retrieved 17.03.2015] Available from: <<http://www.history.com/news/history-lists/7-brutal-sieges>>.

<sup>7</sup> GROCOTT. P. 7.

<sup>8</sup> MOGFORD, Thomas. *Gibraltar – 'an emblem of waste and loneliness'*. [online] The Guardian. Updated: 01.08.2014. [retrieved 14.04.2015] Available from: <<http://www.theguardian.com/books/2014/aug/01/gibraltar-writers-emblem-waste-loneliness>>.

<sup>9</sup> GROCOTT. P. 22.

territory became substantially costly. Furthermore, a local economy was disrupted by the separation from the hinterland.<sup>10</sup>

Gibraltar was given a dual role which should ensure its importance to Britain in the future. On the one hand, it was a protection of overseas trade routes and a security of imperial communication. On the other hand, it was a supply of British commercial goods into Spain. It also had a considerably expensive dockyard capable of all operations at its disposal.<sup>11</sup>

The fortress of Gibraltar is unique in the world thanks to elements of Islamic, Spanish and British military structures together with natural and man-made attributes, and above all its symbolic perception.<sup>12</sup>

### **3.2 Trading Outpost and Naval Base (1783 – 1906)**

During the Napoleonic Wars (1803 - 1815), which also impacted the Rock's inhabitants, Gibraltar served as a Royal Navy base that enabled to blockade the ports of the Spanish towns Cadiz, Cartagena and the French town Toulon. Napoleon banned British goods coming from the Continent. From that time, Gibraltar turned into a key centre of commerce and smuggling of British goods as well. Nonetheless, after Napoleon's defeat, trade decreased again for several years.

One of the most important events in the history of Gibraltar was the battle of Trafalgar. Admiral Horatio Nelson, a commander of the British fleet, benefited from Gibraltar's strategic location and used it as a base for resupplying and intelligence updating. The battle started on 21 October 1805 near the Spanish town Cadiz and finished the same day. This was the time when the Royal Navy destroyed the greatest threat to British security for 200 years and also the day when Admiral Nelson, a

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<sup>10</sup> GROCOTT. P. 13, 16.

<sup>11</sup> GROCOTT. P. 25, 26.

<sup>12</sup> FA, Darren; FINLAYSON, Clive. *The Fortifications of Gibraltar 1068-1945*. Oxford: Osprey Publishing, 2006, 64 p. ISBN-10: 1 84603 016 1. P. 7.

national hero noted for his unconventional tactics and inspirational leadership, an admiral who brought the British Fleet to the greatest naval victory, died.<sup>13</sup>

After the battle, the wounded sailors were treated and taken to Gibraltar's hospital and the dead sailors were buried in Trafalgar Cemetery in Gibraltar along with the sailors who died later from their injuries or fever. Nelson's body, preserved in a cask of spirits, was transferred to England where was given a state funeral. The coffin was laid into the crypt in St Paul's Cathedral in London. A large number of monuments and memorials were constructed in Britain and also overseas to honour his memory. One of them is situated in Trafalgar Square in London, another example can be found in Gibraltar across from the Trafalgar Cemetery. The photo of the latter is presented in Appendix 2.

The importance of this victory is grounded in the thwarting of Napoleon's plans to invade Britain.

Gibraltar was formally declared a Crown Colony in 1830 and in the same year the Royal Gibraltar Police was established. Since then its importance to British defence and commercial interests had considerably increased.<sup>14</sup> The strategic significance of the Rock and local trade routes became even more apparent after opening of the Suez Canal in 1869 which resulted in faster access of British merchants to markets and raw materials in the Far East.<sup>15</sup>

During various conflicts, wars or business trips, Gibraltar functioned as a place to stop for vessels and troops because sailors, merchants and soldiers needed to refill food and water. Its port also became a lucrative transshipment point where British goods were transferred to the vessels of a neutral country and re-exported to blockaded continental ports. This way commerce to Europe was simplified.<sup>16</sup>

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<sup>13</sup> LAMBERT, Andrew. *The Battle of Trafalgar*. [online] BBC. Updated: 17.02.2011 [retrieved 24.03.2015] Available from:

<[http://www.bbc.co.uk/history/british/empire\\_seapower/trafalgar\\_01.shtml](http://www.bbc.co.uk/history/british/empire_seapower/trafalgar_01.shtml)>.

<sup>14</sup> HOUSE OF COMMONS, Foreign Affairs Committee. *Overseas Territories, Seventh Report of Session 2007-08*. [online] Parliamentary Copyright House of Commons, 2008, 171 p. ISBN 978 0 215 52147 7. [retrieved 29.03.2015] Available from:

<<http://books.google.cz/books?id=pKFuazvvibUC&printsec=frontcover&hl=es#v=onepage&q=pillars&f=false>>. P. 145.

<sup>15</sup> GROCOTT. P. 28.

<sup>16</sup> GROCOTT. P. 30, 31.

At the turn of the nineteenth century, there were observed several pieces of evidence that Britain did not intend to renounce Gibraltar. For instance, an efficient power grid and the first railway were constructed and the dockyard was reformed and extended to be able to provide satisfactory facilities for the Royal Navy in case of war since German naval power was increasing in this period. “A new airfield [...] was built and an unprecedented amount of tunnelling took place on the Rock. Gibraltar became a veritable warren of tunnels that housed guns, hangars, ammunition stores, barracks and hospitals.”<sup>17</sup> The picture of tunnels can be seen in Appendix 3.

All these improvements and investments for Gibraltar economy contributed the Rock to become an important trading outpost and naval base but it also meant additional costs to Britain again.<sup>18</sup>

### **3.3 Twentieth century**

Since 1783 Spain has continued to lay claim to the sovereignty of Gibraltar by non-military means. They still view the British possession of the Rock as a separation of an integral segment of Spanish territory from the mainland.

In 1955, Spain became a member of the United Nations and this British-Spanish dispute over Gibraltar transformed into an international issue.

In 1963, Spanish government commenced a campaign through the United Nations Special Committee on Decolonisation for the cession of the territory to Spain. The United Nations suggested that the matter should be resolved by direct negotiations between Spain and Britain. Nevertheless, they were unsuccessful and no agreement was reached.

Britain assured the United Nations of the rise in the level of Gibraltar’s self-government but also emphasized that the interests of Gibraltar’s residents should not be omitted. Subsequently, the British prime minister announced that people of Gibraltar would be asked whether they wished to pass under Spanish sovereignty or to keep their link with Britain in a referendum, which would be held on 10 September 1967. Although Gibraltarians wanted greater autonomy, they preferred to stay under the

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<sup>17</sup> FA, FINLAYSON. P. 6.

<sup>18</sup> GROCOTT. P. 47, 48.

British control and voted overwhelmingly in favour to remaining a British dependency. “There were 12,237 eligible voters, and 12,138 of them voted to remain tied to Great Britain, whereas 44 voted to be transferred to the control of Spain.”<sup>19</sup>

There also existed an option for Gibraltar to come under the direct control of Britain but the majority of Gibraltarians and British did not agree. Most Gibraltarians did not want to pay British taxes.

In 1969, full internal self-government was introduced under a new constitution which divided executive responsibility between an elected Government of Gibraltar and the Governor. Gibraltar Ministers had responsibility for certain matters (the so called Defined Domestic Matters) and the Governor retained other responsibilities, particularly for defence, internal security and external affairs. The crucial aspect of the Constitution was the Preamble affirming that Her Majesty’s Government would “never enter into arrangements under which the people of Gibraltar would pass under the sovereignty of another state against their freely and democratically expressed wishes.”<sup>20</sup>

Spain responded to it by withdrawal of its workforce, closing the frontier and tightening all communications (including telephone links) in an effort to prevent any trade.<sup>21</sup> Communications were fully restored after a meeting of British and Spanish Foreign Ministers in Lisbon in 1980, although the border was not reopened until 1985.

Gibraltar has been part of the European Union since 1973, when it joined the one-time European Economic Community alongside Britain in an attempt to reduce impacts of the crisis caused by the frontier closure.

Spain was interested in accession to the European Economic Community as well, but the member states would not tolerate a fascist dictatorship. Nevertheless, after the decease of General Franco in 1975, Spain with the new democratic government resumed its accession efforts. However, it was beyond doubt that Britain would use its veto unless Spain lifted its blockade.

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<sup>19</sup> JORDINE, Melissa. *The Dispute Over Gibraltar*. New York: Infobase Publishing, 2007, 150 p. ISBN 0-7910-8648-8. P. 19.

<sup>20</sup> Gibraltar Constitution Order 1969. [online] *Preamble*. Updated: 23.05.1969 [retrieved 21.03.2015] 80 p. Available from: <<http://gbc.gi/upload/pdf/Gib%201969%20Constitution.pdf>>.

<sup>21</sup> OLSON, James Stuart. *Historical Dictionary of European Imperialism*. New York: Greenwood Publishing Group, 1991, 782 p. ISBN 0-313-26257-8. P. 253.



In 1981, after a campaign against the British Nationality Act, proposing removing their right of entry to Britain, Gibraltarians acquired full British citizenship.

In 1984, under the terms of the Brussels Process, it was stipulated that Spaniards in Gibraltar would obtain equal rights as Gibraltarians in Spain.

The border was fully reopened in 1985 and the following year Spain was admitted to the European Economic Community.

### **3.4 The beginning of the twenty-first century**

A temporary joint sovereignty over Gibraltar was negotiated again by Britain and Spain between 1997 and 2002. In November 2002, the Gibraltar Government called a referendum, in which 99 percent of Gibraltarians rejected any sharing of sovereignty with Spain.<sup>22</sup> Britain reaffirmed that any decision on the future of Gibraltar could not be made without the consent of the Government and the residents of the territory.

After a meeting in Cordoba in September 2006, Ministers from Britain, Spain and Gibraltar signed the Cordoba Agreement resolving a number of longstanding issues, including another easing of border controls, joint use of the Gibraltar airport and increasing pension compensation for Spanish workers who had been employed in Gibraltar before the closure of the frontier in 1969 as well as implementation of international telephone dialling with the code +350. It was a first trilateral agreement when Gibraltarian representatives had an equal voice.

The same year, a referendum concerning a new constitution was held. This is the current constitution which has been discussed in chapter 2.1.2. Political definition.

In May 2009, there were several conflicts between Gibraltar and Spain due to the Spanish incursions into British Waters around the Rock which resulted in police intervention and a diplomatic protest of the United Kingdom. Two months later, Gibraltar hosted Spanish Foreign Minister, Miguel Angel Moratinos, who represented the first Spanish minister visiting the Rock since Britain seized it. He came for negotiations with his British counterpart, David Miliband, and the Chief Minister of Gibraltar, Peter Caruana.

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<sup>22</sup> JORDINE. P. 21.

Gibraltar Government announced the end of the tax exempt regime for locally-registered companies operating outside Gibraltar on 31 December 2010 after an agreement with the European Union.

British-Spanish tensions have continued to this day. One of the latest disputes was provoked by the construction of an artificial reef in the waters surrounding the Rock.

72 hollow concrete blocks were sunk into the sea in order to encourage marine life. It was followed by protests of Spanish fishermen and a diplomatic row. The European Union dismissed Spanish demands that Gibraltar removed the artificial reef. Spain claimed that the reef violated environmental regulations of the European Union and reacted by introducing of stricter border checks which resulted in long queues at the crossing.<sup>23</sup>

Subsequently, the European Commission opened an investigation and found no proof that border checks were illegal. However, the Commission sent recommendations to Spain and also Britain concerning how to avoid delays at the border from now on. Countries should cooperate more closely on struggle against tobacco smuggling and cross-border crime. These are the problems officially used by Madrid to justify the tightening of security at the border. The European Commission suggested in its letter to optimise the space available on the Spanish side of the crossing point in view of ensuring a greater fluidity of traffic.<sup>24</sup>

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<sup>23</sup> GOVAN, Fiona; WATERFIELD, Bruno. *EU dismisses Spanish claims over Gibraltar reef*. [online] The Telegraph. Updated: 25.07.2014. [retrieved 29.3.2015] Available from: <<http://www.telegraph.co.uk/news/worldnews/europe/gibraltar/10991612/EU-dismisses-Spanish-claims-over-Gibraltar-reef.html>>.

<sup>24</sup> KETTLER, Radim. *Londýn se zlobí. EU kontroly na hranicích s Gibraltarem neodsoudila*. [online] Česká televize. Updated: 15.11.2013 [retrieved 29.3.2015] Available from: <<http://www.ceskatelevize.cz/ct24/svet/250626-londyn-se-zlobi-eu-kontroly-na-hranicich-s-gibraltarem-neodsoudila/>>.

## 4 Strategic location

### 4.1 Military base during the World Wars

The Rock of Gibraltar has proved its value to the United Kingdom many times during the World Wars when it functioned as a key point in the anti-submarine campaigns. A British military commander in Gibraltar said: “If Gibraltar did not exist we would have to invent it, because here we are one thousand miles closer to the threat.”<sup>25</sup>

#### 4.1.1 World War I

During World War I, the population did not decrease as in previous conflicts because the Rock was not in the front line of hostilities. Nonetheless, the Gibraltarians showed their patriotism without the usage of guns, their naval dockyard worked overtime and hospital ships transported the wounded to land for medical care.

Relations with Spain remained rather good, the border was open to enable to supply water and provisions and trade was flowing well.

The Allied navies (including Americans) were coming to the Rock and sailors and soldiers were spending their time on leave there. In this period, the foundations of the tourist trade were laid.

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<sup>25</sup> CUENCA, Anna. *Gibraltar still strategic asset for Britain*. [online] Fox News. Updated: 17.08.2013. [retrieved 15.04.2015] Available from: <<http://www.foxnews.com/world/2013/08/17/gibraltar-still-strategic-asset-for-britain/>>.

### 4.1.2 World War II

After the war broke out in September 1939, it was expected that Gibraltar's mission would be similar as in the First World War. To the contrary, it played a major role because the course of this war was very different.

The evacuation of about 13,500 women, children, elderly people and infirm was ordered by the British Government because Adolf Hitler intended to capture Gibraltar with Spanish assistance so it was necessary to transform it into an adequate fortress. All these people were evacuated to Casablanca in French Morocco but soon after their arrival, France capitulated and the Royal Navy destructed the French Fleet. As a result of these events, the evacuees had to leave French Morocco within 24 hours. They were forced to sail back to Gibraltar for cleaning and replenishing of ships with food and water before a long journey to Britain. That time the French and Italian forces were already attacking the place.

Consequently, the ships sailed out into the Atlantic Ocean with poor equipment and insufficient facilities, contending with severe problems with hygiene and storage of provisions. They had to try to avoid the German boats; that was the main reason why their journey to the United Kingdom lasted 16 days. They needed to be very careful because any attack would mean disaster. The majority of evacuees stayed in London, the others continued to Madeira and Jamaica.<sup>26</sup>

At the end of the war, there were about 10,000 individuals who had to leave their home in Gibraltar because of the war, and at this time, they wanted to return. But it was a difficult task for Britain, which had economic problems, to procure enough vessels for their transport. Another difficulty was represented by the lack of housing in Gibraltar; the existing one was occupied by the military. For these reasons, people were forced to wait several years to join their families.<sup>27</sup> During this complicated period, Gibraltar's feeling of a close community was intensified and the English language of the Gibraltarians was greatly improved. After the war, the Spanish names of the streets disappeared.

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<sup>26</sup> GINGELL, Joe. *Gibraltar and Evacuation*. [online] HistoryLearningSite.co.uk. Updated: 2014.

[retrieved 17.03.2015] Available from: <[http://www.historylearningsite.co.uk/gibraltar\\_evacuation.htm](http://www.historylearningsite.co.uk/gibraltar_evacuation.htm)>.

<sup>27</sup> JORDINE. P. 14.

This territory played a crucial role in the Anglo-American invasion of North Africa in 1942. Britain benefited from its strategic position which was exploited as a launching point for supply convoys.

Hitler with his plan Felix intended to force the British to leave the Western Mediterranean and urged Spanish dictator Franco to recapture Gibraltar. If he had succeeded it would have changed completely the result of the Second World War. It would have blocked the Mediterranean for Allies as this place represents the only point of access to the Mediterranean Sea from the Atlantic Ocean. It would as well have cut off British troops in North Africa. Last but not least, it would have thwarted any British plans to invade Italy. Spain tried to negotiate profitable conditions and chose a delaying tactic because as a matter of fact, Franco did not want to commit his country to the war.

<sup>28</sup> As a result, Hitler decided to attack Russia to the East instead.

After the Second World War, Gibraltar received money from British Colonial Welfare and Development Fund for restoration of land and war-torn dwellings.

## 4.2 Transport and communications

Gibraltar features an advantage of strategic location and it is situated at the centre of a communications network. Besides roads and tunnels, it has an international airport and a port as well. Owing to the communications centre and runway and harbour facilities, it represents an important base for the North Atlantic Treaty Organization. Every year, thousands of Moroccans working and living in Europe pass through this peninsula to get home for a holiday. In 2013, the majority of visitors, accounting for 96%, arrive by land, 3% by sea and 1% by air.<sup>29</sup>

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<sup>28</sup> HISTORY.COM STAFF. *Hitler urges Spain to grab Gibraltar*. [online] History.com, A+E Networks. Updated: 2009. [retrieved 17.03.2015] Available from:

<<http://www.history.com/this-day-in-history/hitler-urges-spain-to-grab-gibraltar>>.

<sup>29</sup> H. M. GOVERNMENT OF GIBRALTAR. *Abstract of Statistics 2013*. [online] Statistics Office, 2013, 156 p. [retrieved 07.04.2015] Available from: <<https://www.gibraltar.gov.gi/new/downloads>>.

### 4.2.1 Roadway

Taking account of the area occupied by the Rock, the fact that there are more tunnels than roads is not so startling. However, their length could be surprising. There are about 23 miles of roads on the surface and 32 miles of underground ones within the Rock itself whose main ridge area is only one and a half by one mile. Some of the tunnels are now open as tourist attractions.<sup>30</sup>

### 4.2.2 Airport

“The only international airport in the world with a main road crossing its runway is in Gibraltar. Barriers stop pedestrians and vehicles when aircraft take off or land. The short 1,829m runway with sea at both ends is next to The Rock and adjacent to the Spanish frontier, which runs parallel.”<sup>31</sup> The photo in Appendix 4 offers aerial view on the airport. Gibraltarians are aware of importance of the airport for a progress in many sectors of their economy, primarily in tourism and financial centre. In 2011, a new terminal was built to satisfy the need for higher number of links. Daily flights to the United Kingdom are provided by British Airways, EasyJet and Monarch Airlines to British airports – London Heathrow, London Gatwick, London Luton, Manchester, Birmingham and Bristol. There are also flights to Morocco by Royal Air Maroc. The annual number of arrivals by air from the United Kingdom has fluctuated during the past ten years between 133,000 and 192,200.<sup>32</sup> Thanks to these passengers the airport is reasonably busy and represents a significant part for the further development of tourism.

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<sup>30</sup> SPENCER, Ray. *Gibraltar: Surprising Gibraltar*. [online] The Report Company. Updated: 14.12.2012. [retrieved 08.04.2015] Available from:

<<http://www.the-report.net/gibraltar/dec2012/351-facts-surprising-gibraltar>>.

<sup>31</sup> SPENCER. *Gibraltar: Surprising Gibraltar*.

<sup>32</sup> H. M. GOVERNMENT OF GIBRALTAR. *Air Traffic Survey Report 2013*. [online] Statistics Office, 2013, 18 p. [retrieved 15.04.2015] Available from: <<https://www.gibraltar.gov.gi/new/downloads>>.

### 4.2.3 Port

Gibraltar is a major shipping port and base for British Royal Navy. Thanks to its location, free port status and bunkering facility, it attracts a great number of cruise liners. It has become a major bunkering port - the largest in the Mediterranean, providing a wide range of services to more than 71,000 vessels of all sizes and types each year.<sup>33</sup> Port facilities are often used by the North Atlantic Treaty Organization during its naval operations.

### 4.2.4 Railway

Because of the needs of transport the first railway was constructed at the turn of the nineteenth century and went from the dockyard to the east side where quarries were opened up.<sup>34</sup>

### 4.2.5 Shipping

Gibraltar's strategic position at the gateway to Europe is used by the shipping industry. Since the Rock has no own goods to sell a large number of residents earn a living by providing shipping services to overseas importers. It represents a useful port of call as it is located on a crossroads between routes to and from Western Europe and the South Atlantic and Africa, and also between Europe and the Middle East through the Mediterranean.<sup>35</sup> The harbour is located at the centre of the world's busiest shipping lanes and forms a pillar of the Gibraltar's economy.

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<sup>33</sup> ANDREWS, Jonathan. The Report Company. *Gibraltar: Investment rock*. [online] The Report Company. Updated: 14.12.2012. [retrieved 07.04.2015] Available from: <http://www.the-report.net/gibraltar/dec2012/357-investment-investment-rock>.

<sup>34</sup> GROCOTT. P. 48.

<sup>35</sup> CONSTANTINE, Stephen. *Community and Identity: The Making of Modern Gibraltar Since 1704*. Manchester: Manchester University Press, 2009, 446 p. ISBN 978 0 7190 7635 0. P. 140.

#### **4.2.6 Communications**

The international telephone dialling is possible with the code +350. Communications system is highly sophisticated and fully digital, providing top-class telephone and satellite international communications. It is one of Europe's most up-to-date fibre-optic communications networks, which offers quality solutions for businesses.

### **4.3 Intelligence facilities**

Gibraltar is still a strategic asset for Britain due to its location and intelligence and military facilities, located at the airport. According to Alejandro del Valle, an international law professor at Spain's Cadiz University, this territory is useful for communications and intelligence reasons and for monitoring of traffic in the Strait of Gibraltar. There is an intelligence base, military airbase and a naval base. The latter makes this place indispensable for stopovers and for repairing of nuclear submarines. He also adds: "Its location is still strategic given its proximity to Africa's Sahel belt, where Islamist extremism is on the rise, and the fact that a large amount of Middle Eastern oil and gas that is consumed in Europe crosses the Mediterranean."<sup>36</sup> Gibraltar has also an important role in electronic surveillance operations and functions as a watchtower used by the British and their ally, the United States. Shipping channels through the Strait of Gibraltar can be observed and in case of war the western entrance to the Mediterranean would be controlled.

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<sup>36</sup> CUENCA.



## 5 Gibraltar economy

### 5.1 Economic development

#### 5.1.1 Economy in the 18<sup>th</sup> century

In the eighteenth century, there lived only a few civilians in Gibraltar, the rest of the population comprised mostly soldiers due to a military garrison. It was difficult to induce people to settle there permanently because of the unfavourable conditions for agriculture and a persisting risk of siege. The Rock has no natural resources, no arable land and no rivers or streams providing drinking water. Although the British were aware of the lack of raw materials they still believed that Gibraltar could represent a source of profit and be commercially valuable.<sup>37</sup>

In February 1706, in pursuit of the increase in trade Queen Anne issued a decree that officially designated Gibraltar as a free port. The declarations did “not permit any duty or imposition whatsoever to be laid or received for any ship or vessel, or for any goods, wares, merchandise, or provisions, imported or exported out of this port.”<sup>38</sup>

The British Government hoped that as a result, it would be more advantageous to send goods into and out of Europe through Gibraltar’s port since most European ports charged some kind of tax or fee in addition to the import or export tariffs and that subsequently; Gibraltar could become an international centre of considerable commercial activity. However, this did not happen. The main reason for failure of this plan was Spain. Despite relatively good relations with Britain, Spain restricted the flow of goods into Gibraltar.<sup>39</sup> Article X of the Treaty of Utrecht from 1713 stopped any overland trade with Spain. Britain was obligated by this treaty to prevent any illegal

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<sup>37</sup> JORDINE. P. 10.

<sup>38</sup> DRINKWATER, John. *A history of the late siege of Gibraltar*. [online] London: second edition, T. Spilsbury, Snowhill, 1786. 454 p. [retrieved 29.03.2015] Available from: <https://books.google.cz/books?id=yT4OAAAQAAJ&pg=PP1&lpg=PP1&dq=DRINKWATER,+John.+A+history+of+the+late+siege+of+Gibraltar>>. P. 17.

<sup>39</sup> JORDINE. P. 10.

activities such as smuggling but it was not thorough enough and trade with contraband goods started to flourish. It attracted a large number of civilians who settled there and by the end of the eighteenth century Gibraltar became a crowded garrison town and commercial centre as well.

Around 1730, the population was fewer than 3,500 people and by 1779, there were around 10,000. Thirty-five years later even 17,000, which represented a larger resident population than ever before in the history of Gibraltar.<sup>40</sup>

The welfare of these inhabitants had always been dependent on external trade links, overland trade with Spain and overseas markets. However, after signing of the Treaty of Utrecht, overland route for imports and exports was blocked and opportunities for legitimately securing supplies from Spain were seriously limited. The communications between Gibraltar and the coast of Spain by sea were allowed but not always safe.

Civilians earned wages or cash by selling their labour, services or home-made supplies to the garrison or by servicing the overseas entrepreneurs who needed dockside help in landing supplies. Some of them worked as agents of overseas suppliers or even as shipowners and importers.

The re-export trade was rapidly developed and Gibraltar became a market centre, buying in goods as imports and selling them on as re-exports. The profits from these activities as well as from smuggling served as a payment for other goods imported and consumed in Gibraltar which means that it was important for the economic health of the community. It was also necessary to maintain good relations with Morocco owing to the supplies of live cattle, fowls, etc. and for British commerce in the Mediterranean in general.

At the beginning of the revolutionary wars, the Rock served to supply British fleets and on top of that, it acted as a base upon which Britain could handle intelligence reports.

A crisis broke out during the Great Siege (1779 - 1783) which exposed Gibraltar's dependence on overseas supplies for economic and military survival. Spain not only interrupted all connections with Gibraltar but also persuaded Morocco to cut off supplies of fresh food. It resulted in increase in prices, profiteering and the rationing of foodstuffs.

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<sup>40</sup> CONSTANTINE. P. 40.

The period after the siege was not less difficult as the access from Gibraltar by land and by sea was strictly controlled by Spain and General Eliott, a governor of Gibraltar, did not help civilians. What is more, he did not allow landing tobacco for smuggling into Spain, which might have helped economic recovery.

After the acquisition of Malta by the British in 1800 and the defeat of Spanish forces at Trafalgar, the Mediterranean and the Atlantic became safer zones for shipping on which Gibraltar traders were increasingly dependent. The number of civilian inhabitants was still rising and the Royal Navy used the port as a service base.<sup>41</sup>

### **5.1.2 Economy in the 19<sup>th</sup> century**

In 1806, Napoleon's Continental System started, it was a blockade to paralyze Britain through the destruction of its commerce. This goal was to be achieved by denying the British any access to ports in Europe and the money they needed to fund Napoleon's enemies. Nevertheless, the outcome of the plan was devastating for him too and brought an economic boom to Gibraltar which became one of the safest places to introduce goods into the continent. In this period of prosperity, its commercial potential was highlighted and Britain affirmed its position of a major world power by defeating Napoleon. His invasion of Spain in the following year brought an enhancement of the relations between Gibraltar and Spain which experienced apparent decline.

Some of the merchants still occupied themselves with domestic commerce and provided provisions to sailors and soldiers, the others focused on international trade across the frontier, which was created by war and became very lucrative from the turn of the nineteenth century. These two spheres made Gibraltar a profitable trading port and rallying point for commerce to Europe because it allowed neutral ships coming from Britain to go to blockaded continental ports and trade freely.<sup>42</sup>

After the Battle of Waterloo in 1815, which ended the revolutionary wars, the main role of Gibraltar remained supplying the garrison. However, especially between the Battle of Trafalgar and Waterloo, there was a noticeable growth of entrepot trade as

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<sup>41</sup> CONSTANTINE. P. 54.

<sup>42</sup> GROCOTT. P. 31.

well. It meant that merchandise could be imported to Gibraltar port, stored (or traded) and then usually exported again.<sup>43</sup>

As mentioned in chapter two, there existed opinions that it would be more beneficial to return Gibraltar to Spain because of a diplomatic embarrassment and high costs of the reconstruction and the building of fortifications. Some of the British representatives said that the Rock with its role in securing Britain's trade links in the Mediterranean could be replaced by the island of Minorca.

However, Gibraltar functioned as a stop on the long route around the Cape of Good Hope, the presumed southern tip of Africa, and after the opening of the Suez Canal in 1896, the significance of this territory increased even more. The retaining of the Rock also served as a privilege with Spain, a guarantee of a good treatment.

The unblocking of the frontier contributed to an improvement of relations with the Spanish neighbour as well, especially in an economic way. Gibraltar was gaining supplies and labour force from the hinterland and the inhabitants of the Spanish side were taking advantage of the economic opportunities (legal or illegal). There was growing number of damaged ships of the Royal Navy which needed to be repaired and refitted. For this reason, thousands of Spaniards worked each day in the construction and afterwards in operation of an impressive naval dockyard, consisting of three docks, whose building was finished at the end of the nineteenth century.<sup>44</sup> The maintaining of good relations provided to Spain a wider British goodwill in addition to important economic links and at the same time, Spain did not represent any military threat to Gibraltar.

### **5.1.3 Economy in the 20<sup>th</sup> century**

Britain began to be aware of the economic potential offered by Gibraltar, especially in its capacity to secure trade routes in the Mediterranean. Since the Second World War, Royal Navy dockyard and the military garrison resumed being a substantial part of the economy of Gibraltar.

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<sup>43</sup> GROCOTT. P. 30.

<sup>44</sup> GROCOTT. P. 21, 76, 83.

Between the years 1969 and 1985, the border with Spain was closed and Gibraltar faced an economic crisis. Spanish workers had to stay behind the frontier along with their spending power and the vacancies needed to be filled by Gibraltarian men and women. In this period, Britain provided financial support to Gibraltar, which became reliant on it. Significant economic and cultural ties to Britain were developed and strengthened the territory. Main Street was a bright example.<sup>45</sup>

Gibraltar had been focused on the defence of the fortress more than on its economic development for decades in its history as a British territory. However, the situation changed in 1981, after closing the naval dockyard, which represented the most important element of Gibraltar's economy and subsequent withdrawal of the armed forces. This British Conservative government's decision was explained by economic reasons, but it caused dissatisfaction and protests of Spaniards and Gibraltar's Transport and General Workers' Union.<sup>46</sup> Eventually, the naval dockyard was transformed into a commercial dockyard owned by the Gibraltar's Government and managed by the largest ship repair and conversion company in the United Kingdom, A&P Appledore International Ltd. Despite British grants, the dockyard did not prosper. It resulted in loss of the majority of income and Gibraltarians were forced to develop other alternatives. In fifteen years, they were able to change the sector of economy from public to private and they began to concentrate especially on financial services and tourist industry.

#### **5.1.4 Current situation**

Gibraltar with its almost full employment (the unemployment rate is around 3%) offer jobs to Spaniards from the southern part of the country, called El Campo. The gross domestic product records an expressive growth; it has been tripled during past fifteen years. In the financial year 2011/2012 it reached £1.17 billion.<sup>47</sup> The main sectors of the Gibraltar prospering economy are financial services, internet gaming, e-commerce, tourism, shipping and port services and British military contributions.

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<sup>45</sup> JORDINE. P. 9.

<sup>46</sup> MORRIS, Dennis S. *Britain, Spain and Gibraltar, 1945-1990: The Eternal Triangle*. London: Routledge, 1992, 180 P. ISBN 9780415071451. P. 119.

<sup>47</sup> H. M. GOVERNMENT OF GIBRALTAR. *Abstract of Statistics 2013*. P. 91.

## 5.2 Finance centre

At the end of the twentieth century, Gibraltar experienced a substantial growth in the financial sector, which currently represents the major engine of the economy, although it is not the major employer according to the Abstract of Statistics 2013.<sup>48</sup> This growth ranks among the highest ones within the Organisation for Economic Co-operation and Development.

Gibraltar is an international finance centre, providing direct access to Europe and the single European market and having reputation for quality of business, not quantities of business. The Ex-Chairman of the Gibraltar Finance Centre Council and Chief Executive Officer of Credit Suisse Gibraltar, Kerry Blight, said for The Report Company: “There has been a flight to quality in Gibraltar since the mid-1990s. We’re not about mass business. Gibraltar is about actually adding value and bringing quality business in.”<sup>49</sup> James Tipping, Director of the Finance Centre added: “There are three very clear financial services sectors from a Gibraltar market point of view: private clients, insurance and funds, and asset management.”<sup>50</sup>

Financial Services Commission, which is composed of senior financial experts from Gibraltar and Britain, regulates Gibraltar's financial sector. The Commission is headed by Chief Executive, appointed by the members. Offshore companies, foreign companies based in Gibraltar and doing business in another country, were exempt from tax and onshore companies, conducting business on the Rock, paid 35% tax. It stood until the end of the year 2010, when Gibraltar introduced a new 10% flat rate of corporate tax for both types of companies due to pressure exerted by the European Union. This was the end of the tax-haven era; nevertheless, the new tax is considerably lower than in most member states of the European Union and Gibraltar constantly endeavours to promote a business-friendly environment. Thus it is still cheaper for British companies to be located in Gibraltar than in the home country, where tax is set at 20-23%.<sup>51</sup>

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<sup>48</sup> H. M. GOVERNMENT OF GIBRALTAR. *Abstract of Statistics*. P. 76.

<sup>49</sup> ANDREWS, Jonathan.

<sup>50</sup> ANDREWS, Jonathan.

<sup>51</sup> SPENCER, Ray. *Gibraltar: Quality remains the watchword*. [online] The Report Company. Updated: 14.12.2012. [retrieved 07.04.2015] Available from: <<http://www.the-report.net/gibraltar/dec2012/354>>.

The growth of financial services, which contribute approximately 30% to the gross domestic product of Gibraltar, is noticed in different areas, for instance, in fund management, fund administration, investment services, insurance and reinsurance. Insurance business is very successful, especially regarding motor insurance. It is judged to be noticeably more profitable than the British insurance business. One of the reasons could be lower operating costs. Around 16% of the British motor insurance market is dealt with by firms based on the Rock. Gibraltar motor insurance companies' business is almost 2½ times larger than in case of Lloyds of London, the world's specialist insurance market.<sup>52</sup>

### 5.3 Tourism

Tourism industry gained importance in the interwar period and developed even more after the Second World War and the opening of the marina in 1961. At this time, it constituted the main source of income. The subsequent closure of the frontier meant a sharp decrease but it was replaced with expansion produced by the reopening in 1985 and strengthened by the new port facilities. According to the Abstract of Statistics 2013, the number of visitor arrivals to Gibraltar between 1985 and 1995 more than doubled from 2.4 to 5.5 million and in 2013, the number exceeded 11.1 million.<sup>53</sup> On the basis of the Tourist Survey Report 2013, the majority of visitors in 2013 came from Spain, it represented 77%. British took the second place with 16%. Remaining 7% were divided into European Union members and citizens of other countries. All these visitors spent in total £207.24 million.<sup>54</sup>

The above mentioned 16% represent 1.8 million British visitors. The table Travel Trends 2013 states the total number of UK Residents' visits abroad in 2013

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<sup>52</sup> SPENCER. *Gibraltar: Surprising Gibraltar*.

<sup>53</sup> H. M. GOVERNMENT OF GIBRALTAR. *Abstract of Statistics 2013*. P. 107.

<sup>54</sup> H. M. GOVERNMENT OF GIBRALTAR. *Tourist Survey Report 2013*. [online] Statistics Office, 2013, 15 p. [retrieved 08.04.2015] Available from: <<https://www.gibraltar.gov.gi/new/downloads>>.

which is 45.9 million across Europe and 58.5 million worldwide.<sup>55</sup> It means that 3.9% of British travellers across Europe and 3.1% of all British travellers abroad were heading to Gibraltar. It follows that despite its small size, Gibraltar belongs among the frequent destinations of the British citizens. One of the undisputed advantages is the fact that it is an English-speaking territory with a Mediterranean climate which seems more than favourable to the tourists coming from rainy Britain.

Gibraltar's port of call has been famous especially among British tourists on cruise ships who come there to buy goods liable to duty and also to enjoy a little bit of 'Britain in the sun'. Gibraltar: Britain in the sun is a documentary series following the lives of the residents of Gibraltar, which was broadcast for the first time in June 2013 on Channel 5. Neil Clark said for the Daily Express: "It's just like Britain - except that the sun shines more than 300 days a year on average and people finish work at 2.30pm between June and September so they can go to the beach. [...] It could be said that [...] it's like Fifties' Britain in the sun."<sup>56</sup> Policemen wear their traditional helmets and there are red telephone boxes on the streets. Residents performing in the series speak well of this place and describe advantages of living there. They are more than satisfied with the lowest crime rates in the world. It is a place where everyone knows everyone and people can go anywhere on foot. On the Rock there lives the only wild monkey population in the European continent, which is constituted by about 200 Barbary macaques, attracting a great number of tourists. The broadcast also highlights an opportunity to marry in Gibraltar in the manner of John Lennon or Sean Connery.

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<sup>55</sup> OFFICE FOR NATIONAL STATISTICS. *Travel Trends – Section 5 UK Residents Visits Abroad, 2013*. [online] Travel Trends, 2013. [retrieved 08.04.2015] Available from:

<<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-335111>>.

<sup>56</sup> CLARK, Neil. *Gibraltar: Little Britain in the sun*. [online] Daily Express. Updated: 26.01.2015.

[retrieved 08.04.2015] Available from:

<<http://www.express.co.uk/entertainment/tv-radio/405949/Gibraltar-Little-Britain-in-the-sun>>.



## 5.4 Internet gaming sector

Internet gaming sector is currently considered to be the fourth pillar of the economy owing to its growth during past twenty years. This sector takes advantage of Gibraltar's perception and reputation. After tax reform in 2011, the tax rate considerably increased. Nonetheless, Internet gambling companies stayed on the Rock and confirmed the importance of its reputation. Around 60% of the British bets are placed with companies based in this territory. What is more, gambling revenue accounts for a rising percentage of the gross domestic product of Gibraltar; it has already reached one fifth.<sup>57</sup>

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<sup>57</sup> PARKE, Jonathan, WILLIAMS, Robert J., WOOD, Robert T. *Routledge International Handbook of Internet Gambling*. London: Routledge, 2012, 380 p. ISBN 978-0-415-59443-1. P. 89.

## 6 A place to live and work

### 6.1 Situation in the past

The transfer of sovereignty over Gibraltar to Britain caused resettlement of the residents and brought new opportunities for mobile, displaced or ambitious people, whose arrival was essential for creating Gibraltarian identity. The size of the military garrison ranged between 1,100 and 5,000 soldiers in the eighteenth century and stabilised about 3,000 in the early nineteenth century (excluding wives and children).<sup>58</sup> All these soldiers required a civilian population to provide labour and supplies. An effort to attract entrepreneurs, who would settle on the Rock, was supported by giving Gibraltar a status of a free port. On the other hand, all people entering the territory with intention to settle or just to visit the Rock had to state their names, nation and business to the officers at the gates and to produce papers for inspection because of security of the fortress. The residents remained under supervision as well. They were supposed to be mostly British to establish Protestant civilian population but on the contrary, there predominated civilians of Genoese, Spanish and Jewish origin. The British were on the fourth place in 1725.<sup>59</sup> The earnings in Gibraltar were higher than across the border as well as the cost of living and living standards.

During the nineteenth century, Gibraltar significantly changed as a place to live. The territory with its limited size became overcrowded. In 1801, the resident population was 5,339 and in 1811, it already increased to 11,173.<sup>60</sup> It caused difficulties with provisioning, employment, infrastructure and housing and the town required redevelopment.

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<sup>58</sup> CONSTANTINE. P. 15.

<sup>59</sup> CONSTANTINE. P. 21.

<sup>60</sup> GROCOTT. P. 32.

## 6.2 Why invest or set up in Gibraltar

There exist several reasons why invest in Gibraltar, which have already been discussed in more detail in previous chapters. In following paragraphs, there will be summarized the principle advantages of making an investment in Gibraltar which might be favourable for inhabitants of Britain or other countries.

Among the main benefits can be listed the legal system based on the British legal principles and rules of equity as well as the Anglo-Saxon model with low levels of regulation and taxes, characteristic of English-speaking countries. In addition, in this strategic modern place there is a benign climate with warm summers and mild winters and a Mediterranean lifestyle with a high quality of life. Tax system includes low corporation rate set at 10% and no tax for insurers or investment income. It attracts, for instance, British gambling firms, which settle with upward tendency on the Rock.

The British government is strongly dissatisfied with the situation when remote gambling operators from overseas territories, for instance, provide services to British citizens without any taxation. Consequently, Britain intends to impose a tax of 15% on remote gambling profits received from UK customers. As a result, tax would be no more calculated on the basis of the domicile of the bookmaker but on the basis of the location of the gambler. If this new tax policy is approved it will certainly result in loss of significant number of jobs and in other consequences for operators and customers as well. Britain justifies new regulation by unsatisfactory tax transparency. Nevertheless, Gibraltar's online gaming firms show their licence details online. Furthermore, Gibraltar as a member of the European Union has established tax information agreements with all member states and has signed the Convention on Mutual Administrative Assistance in Tax Matters, an agreement developed by the Council of Europe and the Organisation for Economic Co-operation and Development (OECD).

British citizens along with people who were born in Gibraltar have an advantage of being the only ones who are allowed to live and work there without a residence or a working permit. This place still offers a wide range of residential property for rent or purchase and people can buy there duty-free goods. Prices of tobacco and spirits sold at the airport belong among the lowest in the world.

### 6.3 Opinions of Gibraltar's residents

Gibraltar's Chief Minister, Fabian Picardo, pointed: "Gibraltar is ranked in the top 20 in global terms of GDP (Gross Domestic Product) growth and [...] has the human capital, the bandwidth, the infrastructure and – despite our size – the space for your business. [...] Taxation is important and the rule of law and political stability."<sup>61</sup>

Lawrence Isola, Chief Executive Officer of Sapphire Networks, a local telecommunications company, says: "Gibraltar is a very credible, established jurisdiction and [...] when you look at the world around you, it's looking like a very safe place to be for both businesses or indeed for the high net worth individuals who choose to become a resident in this wonderful city."<sup>62</sup>

George R Desoisa, Managing Director of Gibmaroc Group, an importer of fresh produce directly from Morocco, adds: "You can come and settle here and you've got many advantages to work, and you add to that the fact your family are going to be happy because of the lifestyle, so you've got pretty much the best of both worlds. You've got a small British jurisdiction with low tax and aspiring to the highest standards."<sup>63</sup>

Thomas Mogford, a British author, has written a series of crime novels following the adventures of Spike Sanguinetti, a lawyer from Gibraltar. He explained to the Guardian why he set a story there. First of all, he was surprised by the fact that it is a city with the highest proportion of lawyers per capita in the world. He holds a postgraduate diploma in law himself and is fascinated by the way of life of more than 30,000 Gibraltar's residents in an area no bigger than London's Hyde Park.<sup>64</sup>

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<sup>61</sup> SPENCER, Ray. *Economic success, not just low tax, proving attractive to newcomers*. [online] Gibraltar International Nov/Dec/Jan 2013/2014, Volume 19/Number 4. Updated: November 2013. [retrieved 14.04.2015] Available from:

<[http://www.gibraltarfinance.com/pdf/GIF%20Nov\\_Dec\\_Jan%202013\\_14.pdf](http://www.gibraltarfinance.com/pdf/GIF%20Nov_Dec_Jan%202013_14.pdf)>. P. 6.

<sup>62</sup> ANDREWS, Jonathan.

<sup>63</sup> ANDREWS, Jonathan.

<sup>64</sup> MOGFORD.

## 7 British point of view

David Lidington, UK's minister for Europe, has answered the question about importance of Gibraltar to the United Kingdom. He mentioned the Gibraltarians' wish to remain under the British control and confirmed the British decision to comply with their request. He added that there are strong ties with this territory, in particular Gibraltar's ongoing contribution to security interests and British Armed Forces as well as the business links between the City of London and Gibraltar's finance centre. The territory counts among the British permanent joint operating bases and can be used as a support during operations in the Mediterranean, North Africa and the Gulf. He also highlighted the soldiers from the Royal Gibraltar Regiment serving in Afghanistan. Britain will continue with defending Gibraltar's rights and interests in the European Union and opposing any challenge to the sovereignty over British Gibraltar Territorial Waters.<sup>65</sup>

David Cameron, British Prime Minister, has said during the discussion with Fabian Picardo about continuing diplomatic row that the interests of Gibraltar's population matter to Britain deeply and it will always stand up for Gibraltar and its people.<sup>66</sup>

Michael Fallon, Defence Secretary, also stressed the strategic significance of the permanent joint operating base and said: "During a period of immense global instability, let there be no doubt that the UK remains absolutely dedicated to ensuring the defence and protection of Gibraltar, its people and British Gibraltar Territorial Waters."<sup>67</sup>

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<sup>65</sup> LIDINGTON, David. *Q&A David Lidington – UK's minister for Europe*. [online] The Report Company. Updated: 14.12.2012 [retrieved 15.04.2015] Available from: <<http://www.the-report.net/gibraltar/344-q-a-david-lidington-conservative-member-of-parliament-for-aylesbury>>.

<sup>66</sup> GOVAN, Fiona. *David Cameron vows to defend Gibraltar*. [online] The Telegraph. Updated: 30.08.2013. [retrieved 15.04.2015] Available from: <<http://www.telegraph.co.uk/news/worldnews/europe/gibraltar/10276632/David-Cameron-vows-to-defend-Gibraltar.html>>.

<sup>67</sup> FALLON, Michael. *New investment to strengthen Gibraltar relationship*. [online] Government UK. Updated: 16.10.2014. [retrieved 15.04.2015] Available from: <<https://www.gov.uk/government/news/new-investment-to-strengthen-gibraltar-relationship>>.

## 8 Conclusion

As stated in the introduction, the target of the Bachelor's thesis was to determine a significance of the territory to Britain and its potential contribution to the British themselves.

In chapter three, there is discussed the joint history. The use of Gibraltar after its capture by the British was exclusively military. It is apparent that the Rock provided good conditions which along with the fortifications made it a perfect place for the fortress. However, the location represented one of the reasons for several sieges. The means by which British soldiers successfully defended the territory against repeated Spanish efforts to regain the Rock, especially against the Great Siege, laid the foundations of the British sentiment regarding Gibraltar's retention. A great number of British authors commended the power and bravery demonstrated by the forces in Gibraltar, which supported its symbolic perception. Despite some uncertainties about Gibraltar's commercial value, British pride was so strong that it did not allow ceding the territory back to Spain.

In the following period, Gibraltar was of capital importance, mainly due to protection of overseas trade routes, security of imperial communication and supply of British commercial goods into Spain. It became a key centre of commerce and smuggling and served as a Royal Navy base and trading outpost as well. Since Gibraltar was formally declared a Crown Colony, its importance to British defence and commercial interests had considerably increased. Added to this, opening of the Suez Canal resulted in faster access of British merchants to markets and raw materials in the Far East. Gibraltar's port also became a lucrative transshipment point where British goods were transferred to the vessels of a neutral country and re-exported to blockaded continental ports. This simplified the commerce to Europe.

As discussed in chapter four, the strategic location was fully used at the wartime as the British could be closer to the threat. This place functioned as a base for intelligence updating as well as a key point in the anti-submarine campaigns. The peninsula was also exploited as a launching point for supply convoys during the Anglo-American invasion of North Africa.

All these above-mentioned reasons prove the undeniable importance of Gibraltar until the end of the Second World War. A subsequent aim of the Bachelor's thesis was to determine in which extent the Rock is valuable to Britain in the present.

As can be seen in chapters 4.2 and 4.3, Gibraltar remains significant even nowadays for its transport, communications and intelligence facilities. It represents a major shipping port, benefiting from its strategic position at the gateway to Europe, and a base for the Royal Navy and the North Atlantic Treaty Organization. Thanks to Europe's most up-to-date fibre-optic communications networks, it offers quality solutions for businesses. Moreover, the territory is useful for monitoring of traffic in the Strait of Gibraltar as well as for electronic surveillance operations. The Rock serves as a watchtower used by Britain and the United States. Thus in case of war the western entrance to the Mediterranean would be controlled.

Until recently, Gibraltar belonged among the so-called tax-havens, which represented an advantage for offshore companies. Although this era has already been terminated, the new tax stays lower than in Britain, which means still favourable for British entrepreneurs. Another asset is lower operating costs. These are the reasons explaining why British gambling firms settle with upward tendency on the Rock.

In chapter 5.3 the abstracts of statistics were examined to evaluate how important Gibraltar is as a tourist destination for the British. The results were that 3.9% of British travellers across Europe and 3.1% of all British travellers abroad were heading to Gibraltar. It affirms that despite its small size, it belongs among relatively frequent destinations. It is probably due to the fact that it is an English-speaking territory with a Mediterranean climate. It means favourable to the tourists coming from Britain.

Another advantage provided by Gibraltar for British citizens is that they are allowed to live and work there without a residence or a working permit. What is more, this place still offers a wide range of residential property for rent or purchase and people can buy there duty-free goods.

All this considered, the topic can be concluded by a statement that Gibraltar was, is and in all probability will continue to be significant for Britain as well as for its inhabitants even though the reasons change in the course of time.

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## 10 Abstract

The Bachelor's thesis is concerned with the Rock of Gibraltar, a British overseas territory, and its relation with Britain. The objective is to determine a significance of the peninsula to Britain and its potential contribution to the British. At the beginning the reader gains basic facts about the territory. Subsequently, there are given explanations from the historical point of view. In the following chapter, the use of the Rock's strategic location is clarified with focus on the period of the Second World War as well as on transport, communications and intelligence facilities up to the present. Next chapter emphasizes its strong points and potential benefits for British businessmen in comparison with the United Kingdom. One of the parts also deals with tourism and attempts to indicate in which extent this destination is sought-after among British tourists and travellers. The goal of the following chapter is to determine the rate of Gibraltar's importance for the British themselves from the point of view of business opportunities and living standards. The opinions of Gibraltar's citizens as well as those of UK residents are presented to add authenticity.

## 11 Resumé

Tato bakalářská práce se zabývá Gibraltarem, britským zámořským územím, a jeho vztahem s Británií. Cílem práce je zjistit, v čem je tento poloostrov důležitý pro Británii a jaký případný přínos znamená pro Brity. Na začátku je čtenář seznámen se základními informacemi o tomto poloostrově. Následně jsou prezentována vysvětlení z historického hlediska. V další kapitole je objasněno využití strategické polohy území se zaměřením na období druhé světové války a také na dopravní, komunikační a zpravodajskou vybavenost až do současnosti. Dále jsou zdůrazněny silné stránky a případné výhody pro britské podnikatele ve srovnání s Británií. Jedna z částí práce se také zabývá cestovním ruchem a pokouší se určit, v jakém rozsahu je Gibraltar žádanou destinací mezi britskými turisty a cestovateli. Cílem následující kapitoly je stanovit míru důležitosti pro Brity samotné z hlediska obchodních příležitostí a životní úrovně. Pro větší autentičnost jsou uvedeny také názory občanů Gibraltaru stejně jako Britských obyvatel.

## **12 Appendices**

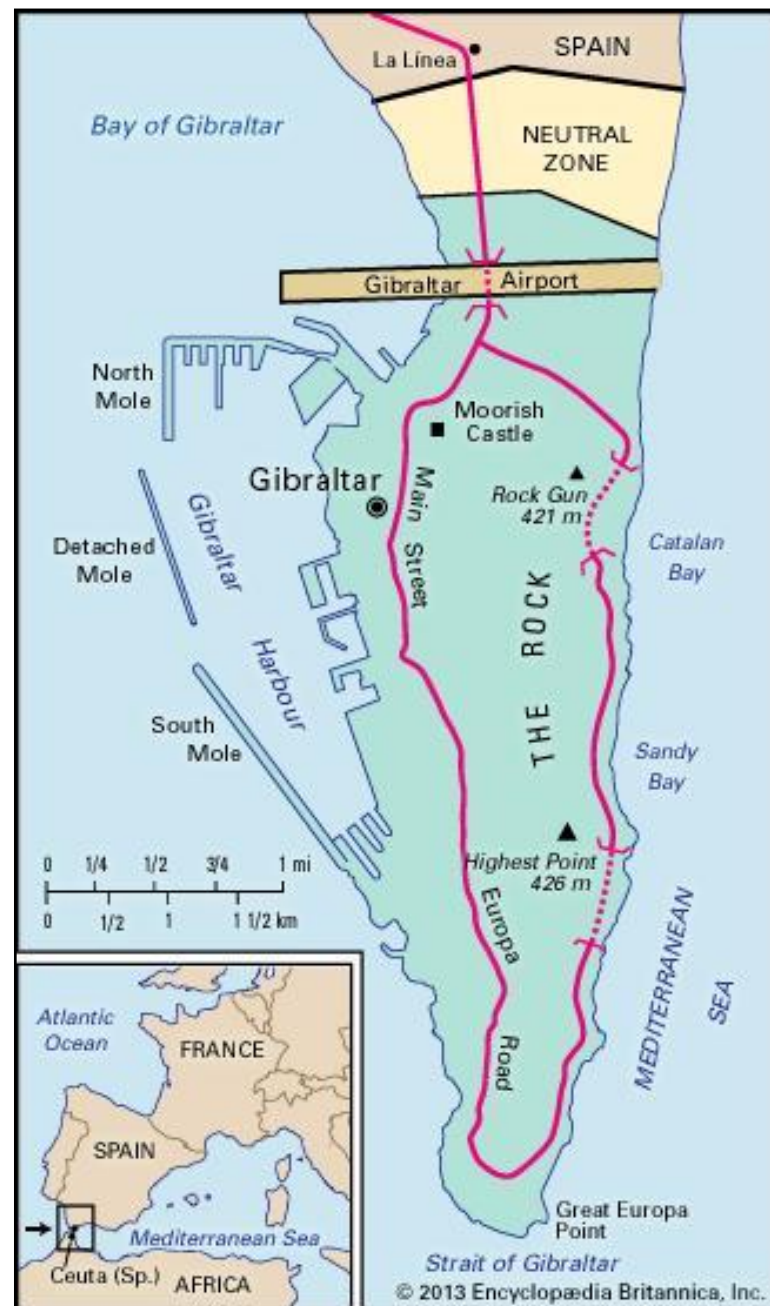
Appendix 1 - Map of Gibraltar

Appendix 2 - Statue of Nelson

Appendix 3 - The Great Siege Tunnels

Appendix 4 - Aerial view on the airport

## Appendix 1 - Map of Gibraltar



(Source: <http://media-1.web.britannica.com/eb-media/58/78258-004-45AA7077.jpg>)



## Appendix 2 - Statue of Nelson



(Source: <https://wanderersintimeandplace.files.wordpress.com/2015/03/def-6.png?w=700&h=&crop=1>)

### Appendix 3 - The Great Siege Tunnels



(Source: [http://www.visitgibraltar.gi/images/image\\_gallery/mZNIW\\_788V7564.jpg](http://www.visitgibraltar.gi/images/image_gallery/mZNIW_788V7564.jpg))

#### Appendix 4 - Aerial view on the airport



(Source: <http://www.gibraltairairport.gi/cms/Rocklogonew.jpg>)